

Message Text

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ORIGIN EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SPC-03 STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 L-03 TAR-02

SS-20 NSC-10 /162 R

DRAFTED BY EUR/RPE:JTMCCARTHY/USDA:JOHN HUDSON

APPROVED BY EUR/RPE ACALBRECHT

E /OFP:MBOERNER

E /TA:JCRAWFORD

STR:HWILLIAMS

TREASURY:WBARREDA

----- 085799

R 011954Z MAR 74

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY THE HAGUE

AMEMBASSY ROME

INFO USMISSION OECD PARIS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: CAP FOR SOYBEANS AND FOR DEHYDRATED FORAGE

REFS A) STATE 194296 B) STATE 238360 C) STATE 246673

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D) EC BRUSSELS 302 E) EC BRUSSELS 960

F) BONN 1422 G) EC BRUSSELS 615

1. SOYBEANS - U.S. POSITION ON QUESTION OF EC IMPOSITION OF CAP ON SOYBEANS IS LAID OUT IN REFTELS A, B AND C. REFTELS EMPHASIZED THAT U.S. WOULD OPPOSE ANY EC ACTION WHICH WOULD IMPAIR ITS GATT BINDINGS ON SOYBEANS AND WOULD REACT SWIFTLY TO RESTORE THE BALANCE OF CONCESSIONS. U.S. SIDE ALSO NOTED THAT, ALTHOUGH EC FARMERS HAVE THE RIGHT TO GROW ANY CROP THEY WISH, EXPANDING SOYBEAN PRODUCTION DID NOT APPEAR TO BE THE MOST EFFICIENT USE OF RESOURCES FOR EC.

2. REFTEL E INDICATES THAT MEMBER STATES, OTHER THAN FRENCH, WERE UNENTHUSIASTIC ABOUT COMMISSION PROPOSAL ON SOYBEANS DURING DISCUSSIONS AT FEBRUARY 11-12 AGRICULTURE COUNCIL MEETING. USG INTERESTED IN STRENGTHENING THIS RESISTANCE TO COMMISSION PROPOSALS IN ORDER TO AVOID, IF AT ALL POSSIBLE, IMPOSITION OF SOYBEAN CAP. ACCORDINGLY, POSTS IN EC CAPITALS SHOULD, UNLESS THEY THINK IT UNHELPFUL AT THIS TIME, MAKE FURTHER APPROACH TO HOST GOVTS ALONG FOLLOWING LINES:

A. U.S. CONTINUES TO BELIEVE EC EFFORT TO ESTABLISH SOYBEAN PRODUCTION IS NOT WELL CONCEIVED. CURRENT ESTIMATE FOR 1973/74 U.S. SOYBEAN CROP IS 1.6 MILLION BUSHEL--23 PERCENT ABOVE PREVIOUS YEAR. U.S. CARRYOVER AUGUST 1, 1974 IS FORECAST AT 240 MILLION BUSHEL COMPARED TO 60 MILLION BUSHEL ON AUGUST 1, 1973. BRAZILIAN SOYBEAN HARVEST AND SOVIET SUNFLOWER HARVEST BOTH UP VERY SUBSTANTIALLY OVER LAST YEAR. PERUVIAN FISHMEAL OUTPUT IS RECOVERING. WORLD SUPPLIES OF PROTEIN MEAL IN 1974 SHOULD BE MORE PLENTIFUL AND PRICES LOWER THAN LAST YEAR.

B. THE PROPOSED EC GUARANTEE OF 222 UNITS OF ACCOUNT PER TON (ABOUT 7.25 DOLLARS PER BUSHEL) MAY NOT STIMULATE SIGNIFICANT PRODUCTION AT PRESENT WORLD MARKET PRICES. HOWEVER, AS WORLD MARKET PRICES RETURN TO MORE NORMAL LEVEL, EC PRODUCTION WOULD BE STIMULATED, SOYBEAN SUPPORT PROGRAM COULD BECOME A MAJOR EC BUDGET EXPENSE AND EC MARKET FOR US SOYBEANS COULD BE ENDANGERED. MOREOVER, LIMITED OFFICIAL USE

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COMMISSION MEMORANDUM ACCOMPANYING THIS PROPOSAL IMPLIES THAT THIS GUARANTEE MAY IN FACT BE STRENGTHENED BY THE ADDITION OF INTERVENTION MEASURES AND EVEN EXPORT SUBSIDIES AS EC PRODUCTION RISES.

3. DEHYDRATED FORAGE - REF G REPORTS COMMISSION PROPOSAL TO CREATE A CAP FOR DEHYDRATED FORAGE. THE EC TARIFF FOR THESE PRODUCTS IS BOUND DUTY-FREE IN THE GATT. PROPOSAL

CALLS FOR SUBSIDIES TO DEHYDRATORS AT 6 UNITS OF ACCOUNT PER TON FOR ALFALFA (LUCERNE) AND 4 UNITS OF ACCOUNT FOR OTHER FORAGE. IMPORTS COULD BE SUBJECT TO IMPORT LICENSES AND DEPOSIT OF SURETY. UNITED STATES HAS STRONG INTEREST IN PRESERVING FREE ACCESS FOR THESE PRODUCTS. DEHYDRATED ALFALFA, IN PARTICULAR, WAS THE SUBJECT OF U.S. PROTESTS IN 1967 AND 1968 AGAINST EC PROPOSALS TO MAKE THIS PRODUCT SUBJECT TO A DUTIABLE TARIFF CLASSIFICATION OR SUBJECT TO MINIMUM IMPORT PRICES. THE PRODUCTION OF ALFALFA SEED IS ALREADY SUBSIDIZED BY THE COMMUNITY AT THE RATE OF 50 UNITS OF ACCOUNT PER TON. THE COMMISSION IS PROPOSING THAT THIS SUBSIDY BE INCREASED FOR 1974 TO 60 UNITS OF ACCOUNT. THE UNITED STATES SUBMITTED NOTES TO THE EC IN JUNE AND AUGUST 1972 POINTING OUT THAT THESE SUBSIDIES REPRESENT AN IMPAIRMENT OF U.S. BINDINGS ON SEEDS. ACTION POSTS ARE REQUESTED TO REMIND COMMISSION AND MEMBER STATES OF THESE REPRESENTATIONS AND TO STATE THAT, AS WITH SOYBEANS, WE WOULD OPPOSE ANY FURTHER EC ACTION WHICH WOULD IMPAIR OUR GATT BINDINGS ON THESE PRODUCTS AND WOULD REACT SWIFTLY TO RESTORE THE BALANCE OF CONCESSIONS.

4. U.S. HAS SUGGESTED THAT IT WOULD HAVE NO OBJECTION TO

GREATER EC RESEARCH INTO WAYS TO INCREASE NON-SUBSIDIZED PRODUCTION OF SOYBEANS OR OTHER PROTEIN SUPPLIES (REF A). ACCORDING TO FRG SOURCES (REF F), THERE HAS BEEN SOME DISCUSSION OF ADOPTING SUCH A RESEARCH EFFORT AS A COMPROMISE SOLUTION TO MOLLIFY FRENCH. IF POSTS THINK IT USEFUL, THEY MAY INDICATE TO HOST GOVERNMENTS THAT USG CONTINUES TO HAVE NO OBJECTION TO SUCH AN APPROACH BY EC. CASEY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, AGRICULTURAL POLICIES, SOYBEANS, FORAGE PLANTS, IMPORT CONTROLS, SUBSIDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 01 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE041383
Document Source: CORE
Document Unique ID: 00
Drafter: JTMCCARTHY/USDA:JOHN HUDSON
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740374/aaaacqnz.tel
Line Count: 145
Locator: TEXT ON-LINE
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) STATE 194296 B) STATE 238360 C) S, TATE 246673
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 27 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAR 2002 by collinp0>; APPROVED <04 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CAP FOR SOYBEANS AND FOR DEHYDRATED FORAGE
TAGS: EAGR, EEC
To: EC BRUSSELS MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005